EXHIBIT 31

Financial Statements

Lehman Brothers Financial Products Inc.

Years ended November 30, 2007 and 2006
with Report of Independent Auditors

Lehman Brothers Financial Products Inc.

Financial Statements

Years ended November 30, 2007 and 2006

Contents

ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors and Stockholder
Lehman Brothers Financial Products Inc.

We have audited the accompanying balance sheets of Lehman Brothers Financial Products (the "Company") as of November 30, 2006 and 2007, and the related statements of income, stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lehman Brothers Financial Products at November 30, 2006 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2, the Company's 2006 financial statements have been restated to reflect the credit valuation adjustment associated with its derivative portfolio.

Ernst & Young LLP

May 5, 2008

Lehman Brothers Financial Products Inc.

Statement of Financial Condition

	November 30	
	2007	**2006 Restated**
Assets		
Cash and cash equivalents	$ 307,176,543	$ 298,478,229
Derivative assets—Customers	223,968,354	217,399,644
Credit valuation adjustment	(8,218,481)	(944,321)
Receivables from affiliates	9,325,215	7,218,528
Other assets	52,894	52,905
Total assets	$ 532,304,525	$ 522,204,985
Liabilities and stockholder's equity		
Derivative liabilities—Customers	87,238,448	89,827,078
Derivative liabilities—Affiliate	136,729,906	127,572,565
Payables to affiliates	6,219,755	5,328,839
Deferred intermediation fee income	13,801,830	15,599,219
Accrued expenses	283,462	417,662
Total liabilities	244,273,401	238,745,363
Stockholder's equity		
Common stock, $.01 par value, 1,000 shares authorized, issued and outstanding	10	10
Additional paid-in capital	200,134,332	200,134,332
Retained earnings	87,896,782	83,325,280
Total stockholder's equity	288,031,124	283,459,622
Total liabilities and stockholder's equity	$ 532,304,525	$ 522,204,985

See accompanying notes to the financial statements.

Lehman Brothers Financial Products Inc.

Statement of Income

	Year ended November 30	
	2007	**2006 Restated**
Revenues		
Intermediation fees	$ 1,797,389	$ 5,435,576
Interest	15,871,017	12,847,742
Total revenues	17,668,406	18,283,318
Interest expense	343,648	326,500
Net revenues	17,324,758	17,956,818
Expenses		
Professional services	1,236,424	1,212,538
Compensation and benefits—Affiliate	480,000	576,000
Occupancy and equipment—Affiliate	155,000	176,004
Credit valuation adjustment	7,274,160	944,321
Other	—	398
Total expenses	9,145,584	2,909,261
Income before taxes	8,179,174	15,047,557
Provision for income taxes	3,607,672	6,597,137
Net income	$ 4,571,502	$ 8,450,420

See accompanying notes to the financial statements.

Lehman Brothers Financial Products Inc.

Statement of Changes in Stockholder's Equity

	Year ended November 30	
	2007	**2006 Restated**
Common stock		
Beginning balance	$ 10	$ 10
Ending balance	10	10
Additional paid-in capital		
Beginning balance	200,134,332	100,134,332
Capital contribution	—	100,000,000
Ending balance	200,134,332	200,134,332
Retained earnings		
Beginning balance	83,325,280	74,874,860
Net income	4,571,502	8,450,420
Ending balance	87,896,782	83,325,280
Total stockholder's equity	$ 288,031,124	$ 283,459,622

See accompanying notes to the financial statements.

Lehman Brothers Financial Products Inc.

Statement of Cash Flows

	Year ended November 30 2007	2006 Restated
Cash flows from operating activities		
Net income	$ 4,571,502	$ 8,450,420
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred tax provision	(2,172,289)	2,171,903
Accretion of intermediation fees	(1,797,389)	(5,435,576)
Credit valuation adjustment	7,274,160	944,321
Net change in:		
Derivative assets—Customers	(6,568,710)	44,511,423
Receivables from affiliates	65,602	334,530
Other assets	11	53,242
Derivative liabilities—Customers	(2,588,630)	(69,079,632)
Derivative liabilities—Affiliate	9,157,341	24,568,209
Payables to affiliates	890,916	2,097,275
Accrued expenses	(134,200)	(180,645)
Net cash provided by operating activities	8,698,314	8,435,470
Cash flows from financing activities		
Bank overdrafts	—	(16,954)
Capital contribution	—	100,000,000
Net cash provided by financing activities	—	99,983,046
Net change in cash and cash equivalents	8,698,314	108,418,516
Cash and cash equivalents, beginning of period	298,478,229	190,059,713
Cash and cash equivalents, end of period	$ 307,176,543	$ 298,478,229

Supplemental disclosure of cash flow information

Income taxes paid in 2007 and 2006 were $5,149,094 and $4,798,894, respectively.
Interest paid totaled $35,840 in 2007 and $12,161 in 2006.

See accompanying notes to the financial statements.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

Lehman Brothers Financial Products Inc. (the "Company" or "LBFP") is a triple-A rated special purpose subsidiary wholly-owned by Lehman Brothers Inc. ("LBI"), a wholly-owned subsidiary of Lehman Brothers Holdings Inc. ("LBH"). LBFP was formed on January 28, 1994 and commenced its operations on July 20, 1994. The Company received credit ratings of AAA from Standard & Poor's ("S&P") and Aaa from Moody's Investors Service ("Moody's") in January 1994. In September 1995, LBFP also received a credit rating of AAA from Fitch Ratings. Various rating agencies have established capital computations that are intended to benchmark the Company's AAA/Aaa ratings expected loss targets. At November 30, 2007 and 2006, the Company had capital that exceeded the requirements of the rating agencies.

LBFP has adopted an enhanced continuation structure which seeks to ensure that swap obligations will be fulfilled to maturity. The Company has also entered into a Contingent Management Agreement with an unaffiliated derivatives dealer which provides for the continued operations of LBFP if certain specified events occur. LBFP has established certain capital and operating guidelines which are reviewed by S&P and Moody's.

The financial statements are prepared in conformity with accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management estimates are required to be utilized in determining the valuation of trading inventory, particularly in the area of over-the-counter ("OTC") derivatives. Management believes that the estimates utilized in preparing the financial statements are reasonable and prudent. Actual results could differ from these estimates.

The Company uses the trade date basis of accounting.

The financial statements of LBFP are presented in U.S. dollars. Assets and liabilities denominated in non-U.S. dollar currencies are translated at exchange rates at the Statement of Financial Condition date. Revenues and expenses are translated at average exchange rates during the period.

Certain prior period amounts reflect reclassifications to conform to the current year's presentation.

Derivative Financial Instruments

LBFP is a stand-alone derivative product company established to intermediate derivative transactions in a highly competitive and credit-sensitive business. LBFP intermediates a full range of OTC interest rate swaps and options, cross-currency swaps, foreign currency options as well as structured swap products. LBFP's market risk is eliminated through the use of offsetting transactions with Lehman Brothers Special Financing Inc. ("LBSF"), an OTC derivatives dealer wholly-owned by LBI and an affiliate of LBFP.

OTC derivative financial instruments are reported at fair value. The fair value associated with OTC derivatives is recorded on a net by counterparty basis where a legal right of set-off exists and is netted across products when such provisions are stated in the master netting agreement. Cash collateral received is netted on a counterparty basis, provided legal right of offset exists and is included in Receivables from customers and Payables to customers on the Statement of Financial Condition. Fair value for trading-related instruments is generally determined by either quoted market prices (for exchange-traded futures and options) or pricing models (for swaps, forwards and options). Pricing models utilize a series of market inputs to determine the present value of future cash flows. Valuation adjustments may be recorded, as deemed appropriate for new or complex products.

We adopted Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS 157") effective December 1, 2006. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When observable prices are not available, we either use implied pricing from similar instruments or valuation models based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. For further discussion of our adoption of SFAS 157, see "Accounting Changes and Other Accounting Developments - SFAS 157" below.

Interest Revenue/Expense

The Company recognizes contractual interest on cash and cash equivalent balances on an accrual basis as a component of interest revenue and interest expense, respectively. Interest flows on derivative transactions are

included as part of the mark-to-market valuation of these contracts and are not recognized as a component of interest revenue or interest expense. The Company recognizes interest for receivables from affiliates and payables to affiliates on an accrual basis as a component of interest revenue and interest expense, respectively.

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No. 109, "*Accounting for Income Taxes*" ("SFAS 109"). The Company recognizes the current and deferred tax consequences of all transactions that have been recognized in the financial statements using the provisions of the enacted tax laws. In this regard, deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years and for tax loss carryforwards, if in the opinion of management, it is more likely than not that the deferred tax assets will be realized. SFAS 109 requires companies to set up a valuation allowance for that component of net deferred tax assets which does not meet the "more likely than not" criterion for realization. Deferred tax liabilities are recognized for temporary differences that will result in taxable income in future years.

See "Accounting Changes and Other Accounting Developments—FIN 48" below for a discussion of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* ("FIN 48").

Cash and Cash Equivalents

Cash equivalents include highly liquid investments not held for resale with original maturities of three months or less. Money market instruments, included in cash and cash equivalents, are carried at fair value. LBFP's investment policy restricts the type of investments, obligor concentrations, rating quality, and maturity profile allowable for the investment portfolio.

Accounting Changes and Other Accounting Developments

SFAS 158. In September 2006, the FASB issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Retirement Plans ("SFAS 158"), which requires an employer to recognize the over- or under-funded status of its defined benefit postretirement plans as an asset or liability in its Statement of Financial Condition, measured as the difference between the fair value of the plan assets and the benefit obligation. For pension plans the benefit obligation is the projected benefit obligation; while for other postretirement plans the benefit obligation is the accumulated postretirement obligation. Upon adoption, SFAS 158 requires an employer to recognize previously unrecognized actuarial gains and losses and prior service costs within Accumulated other comprehensive income/ (loss) (net of tax), a component of Stockholders' equity. In accordance with the guidance in SFAS 158, LBH, as the sponsor of the defined benefit pension plan in which all employees of LBH participate, adopted this provision of the standard for the year ended November 30, 2007. LBH's adoption of SFAS 158 had no impact on the Company's Financial Statements at November 30, 2007.

SFAS 157. In September 2006, the FASB issued SFAS 157, which defines fair value, establishes a framework for measuring fair value, outlines a fair value hierarchy based on inputs used to measure fair value and enhances disclosure requirements for fair value measurements. SFAS 157 does not change existing guidance as to whether or not an instrument is carried at fair value.

SFAS 157 also (i) nullifies the guidance in EITF 02-3 that precluded the recognition of a trading profit at the inception of a derivative contract, unless the fair value of such derivative was obtained from a quoted market price or other valuation technique incorporating observable inputs; (ii) clarifies that an issuer's credit standing should be considered when measuring liabilities at fair value; (iii) precludes the use of a liquidity or block discount when measuring instruments traded in an active market at fair value; and (iv) requires costs related to acquiring financial instruments carried at fair value to be included in earnings as incurred.

The Company elected to early adopt SFAS 157 at the beginning of its 2007 fiscal year. The early adoption of SFAS 157 had no material impact on the Company's 2007 Financial Statements. For additional information regarding our adoption of SFAS 157, see Note 4, "Fair Value of Financial Instruments."

FIN 48. In June 2006, the FASB issued FIN 48, which sets out a framework for management to use to determine the appropriate level of tax reserves to maintain for uncertain tax positions. This interpretation of SFAS 109 uses a two-step approach wherein a tax benefit is recognized if a position is more likely than not to be sustained, and the amount of benefit is then measured on a probabilistic approach, as defined in FIN 48. FIN 48 also sets out disclosure requirements to enhance transparency of an entity's tax reserves. The Company must adopt FIN 48 as

of the beginning of its 2008 fiscal year. The adoption of FIN 48 will have no impact on the Company's Financial Statements.

FSP FIN 48-1. In May 2007, the FASB directed the FASB Staff to issue FASB Staff Position No. FIN 48-1, Definition of "Settlement" In FASB Interpretation No. 48 ("FSP FIN 48-1"). Under FSP FIN 48-1, a previously unrecognized tax benefit may be subsequently recognized if the tax position is effectively settled and other specified criteria are met. The adoption of FSP FIN 48-1 will have no impact on the Company's Financial Statements.

FSP FIN 39-1. In April 2007, the FASB directed the FASB Staff to issue FSP No. FIN 39-1, Amendment of FASB Interpretation No. 39 ("FSP FIN 39-1"). FSP FIN 39-1 modifies FIN No. 39, Offsetting of Amounts Related to Certain Contracts, and permits companies to offset cash collateral receivables or payables with net derivative positions under certain circumstances. FSP FIN 39-1 is effective for fiscal years beginning after November 15, 2007, with early adoption permitted. FSP FIN 39-1 does not affect LBFP's Financial Statements because it clarified the acceptability of existing market practice, which we use, of netting cash collateral against net derivative assets and liabilities.

Note 2. Restatement and Correction of Error

During the preparation of the financial statements for the year ending November 30, 2007, management identified an error in the prior period financial statements related to credit valuation adjustments. Credit valuation adjustments on an OTC derivative portfolio is the market value of credit risk related to the counterparties failure to perform on agreements. Management estimates these credit valuation adjustments utilizing market implied default probabilities associated with the counterparties to which OTC agreements are entered. The expected, future exposures to counterparties factor in netting and margin agreements where these exist and which are deemed legally enforceable.

Lehman Brothers Financial Products Inc.

Notes to Financial Statements

In the year ending November 30, 2006, LBFP's financial statements did not reflect a credit valuation adjustment on its OTC derivative assets; they were erroneously recorded with the results of LBSF. Because LBFP remains exposed to credit risk, management has concluded that LBFP's financial statement for the period ending November 30, 2006 should be restated in accordance with the guidance provided in SFAS No. 154, *Accounting Changes and Error Corrections*. LBFP's financial statements for the period ending November 30, 2006, included within this report, reflect a restatement for this credit valuation adjustment. In particular, the Credit valuation adjustment line was restated to include a $0.9 million credit valuation adjustment. At November 30, 2006, the Company's beginning and ending retained earnings was restated to reflect this correction net of tax. The following table summarizes the effect of the restatement on the previously issued 2006 financial statements:

	Restated	As Previously Reported	Increase/(Decrease)
Statement of Financial Condition			
Receivables from affiliates[1]	$ 7,218,528	$ 6,810,214	$ 408,314
Credit valuation adjustment	(944,321)	—	(944,321)
Total assets	522,204,985	522,740,992	(536,007)
Retained earnings	83,325,280	83,861,287	(536,007)
Total stockholders equity	283,459,622	283,995,629	(536,007)
Statement of Income			
Credit valuation adjustment	944,321	—	944,321
Total expenses	2,909,261	1,964,940	944,321
Income/(loss) before taxes	15,047,557	15,991,878	(944,321)
Provision/(benefit) for income taxes	6,597,137	7,005,451	(408,314)
Net income/(loss)	8,450,420	8,986,427	(536,007)
Statement of Cash Flows			
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Deferred tax provision[1]	2,171,903	2,580,604	(408,701)
Credit valuation adjustment	944,321	—	944,321
Receivables from affiliates[1]	$ 334,530	$ 334,143	$ 387

(1) Represents impact from changes in tax provision. For a further discussion, see Note 6, *Income Taxes*.

Notes to Financial Statements

Note 3. Intermediation Fees

LBFP earns an intermediation fee from its affiliate, LBSF, based upon the notional amount of each derivative transaction. The intermediation fee is received either upfront or quarterly and amortized into income over the life of the transaction on a straight-line basis with the remaining unamortized balance classified as deferred intermediation fee income on the Statement of Financial Condition. In the event of an early termination of a transaction, any remaining unamortized fee amount is retained by LBFP and recognized immediately as intermediation fee revenue. For years ended November 30, 2007 and 2006, there were no intermediation fees received.

For a further discussion of related party transactions, see Note 7, Related Parties.

Note 4. Derivative Financial Instruments

Derivatives are financial instruments whose value is based upon an underlying asset, index, or reference rate. A derivative transaction may be traded on an exchange or over-the-counter. OTC derivative products are privately negotiated contractual agreements that can be tailored to meet individual client needs and include forwards, swaps and certain options including caps, collars, and floors. Exchange-traded derivative products are standardized contracts transacted through regulated exchanges and include futures and certain option contracts listed on an exchange.

In the normal course of business, LBFP enters into OTC derivative transactions, primarily involving interest rate swap products, as an intermediary between its clients and its affiliate, LBSF. The Company generally transacts with counterparties rated A3 or better by Moody's and A- or better by S&P, or counterparties acceptable to these rating agencies.

Presented below is an analysis of the Company's credit exposure of $224.0 million and $217.4 million as of November 30, 2007 and 2006, respectively, by counterparty credit rating for its OTC derivative customer portfolio, after consideration of collateral:

	Credit Exposure (%)	
	November 30	
	2007	2006
Moody's Rating		
Aaa	67%	87%
Aa	4	5
A	29	8
Total	100%	100%
Standard & Poor's Rating		
AAA	58%	78%
AA	10	12
A	29	7
BBB	3	3
Total	100%	100%

LBFP is exposed to credit risk associated with the execution of OTC derivative transactions with LBSF and other counterparties. The notional values of swap agreements do not represent credit risk. Credit risk is limited to the current cost of replacing those contracts in a gain position. Credit risk represents the loss incurred as a result of failure by a client, counterparty or issuer to meet its contractual obligations.

Management makes estimates on the future probability of credit risk being realized and establishes a credit valuation adjustment. To calculate the credit valuation adjustment, management estimates market implied default probabilities associated with the counterparties to the current OTC portfolio. The expected, future exposures to counterparties are estimated taking into account netting and margin agreements where those exist and are deemed legally enforceable. The credit valuation adjustment of assets is the value of the credit risk faced by LBFP. The credit valuation adjustment of liabilities is the value of the credit risk faced by LBFP's counterparties. The credit valuation adjustment was $8.2 million and $0.9 million at November 30, 2007 and 2006, respectively. The increase of the credit valuation adjustment between the periods generally is attributable to the increase in default probability associated primarily with a couple of U.S. state municipality counterparties that are counterparties to LBFP in long-dated trades.

Note 5. Fair Value of Derivative Financial Instruments

Derivative financial instruments are presented at fair value. Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity.

Beginning December 1, 2006, assets and liabilities recorded at fair value in the Statement of Financial Condition are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels – defined by SFAS 157 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities – are as follows:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 – Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

An asset or a liability's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation.

Derivative assets and Derivative liabilities at November 30, 2007 were:

	At November 30, 2007			
In thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative assets (1), (2)	$ —	$ 73,195	$150,774	$ 223,969
Derivative liabilities (1)	$ —	$ 73,195	$150,774	$ 223,969

(1) Derivative assets and derivative liabilities are presented on a net basis by level. Inter- and intra-level cash collateral, cross-product and counterparty netting at November 30, 2007 were approximately $92.9 million and $92.9 million, respectively.

(2) Fair value measurements presented above exclude Credit valuation adjustment amounts.

Notes to Financial Statements

The table presented below summarizes the change in balance sheet carrying value associated with Level 3 derivative financial instruments during the fiscal year ended November 30, 2007. Caution should be utilized when evaluating reported net revenues for Level 3 derivative financial instruments. The values presented exclude economic hedging activities that may be transacted in instruments categorized within other fair value hierarchy levels. Actual net revenues associated with Level 3 derivative financial instruments inclusive of hedging activities could differ materially.

In thousands	Balance November 30, 2006	Net Payments, Purchases and Sales	Net Transfers In/(Out)	Gains / (Losses) Realized	Unrealized	Balance November 30, 2007
Assets	$ 138,178	$ 4,130	$ —	$(1,400)	$ 9,866	$ 150,774
Liabilities	(138178)	(4,130)	—	1,400	(9,866)	(150,774)
Net	$ —	$ —	$ —	$ —	$ —	$ —

Net revenues (both realized and unrealized) for Level 3 Derivative assets and liabilities are considered a component of trading revenues. Because every OTC derivative transaction to which LBFP is party, LBFP is legally obligated to enter into an equal and offsetting transaction with LBSF, the net revenues (both realized and unrealized) for Level 3 Derivative assets and liabilities are offset by equal and offsetting amounts with Level 3 Derivative liabilities.

Note 6. Income Taxes

LBFP's income is included in the consolidated U.S. federal income tax return of LBH and in the combined state and local tax returns with other affiliates of LBH. The income tax provision for the Company is computed in accordance with the tax sharing agreement between LBH and its subsidiaries.

The provision for income taxes consists of the following:

	Year ended November 30	
In thousands	2007	2006 Restated
Current:		
Federal	$4,241	$3,208
State	1,538	1,217
	5,779	4,425
Deferred:		
Federal	(1,780)	1,249
State	(392)	923
	(2,172)	2,172
Provision for income taxes	$3,607	$6,597

Deferred tax assets of $9.3 million and $7.2 million, and current income taxes receivable of $0.7 million and income tax payable $0.04 million, are included in receivable from affiliates as of November 30, 2007 and November 30, 2006, respectively. The deferred tax assets relate primarily to intermediation fees and credit valuation adjustments. The provision for income taxes is greater than that calculated by applying the statutory federal income tax rate principally due to state and local income taxes.

Note 7. Related Parties

LBFP has incorporated certain legal and structural provisions which provide the basis for the Company's treatment as a financially separate entity from its affiliates. LBFP's transactions are executed separately from its parent and affiliates and are held by a third party custodian. Formal agreements are in place to govern significant relationships between LBFP and its affiliates which provide compensation to each party.

Neuberger Berman, an affiliate of the Company held $93.6 million and $88.8 million in Cash and cash equivalents for the fiscal year ended November 30, 2007 and November 30, 2006, respectively.

LBFP receives certain services from LBI including office space, administrative and communication support. Costs incurred from such services are allocated to LBFP by LBI in accordance with its servicing agreement. In addition, compensation and benefits are allocated to LBFP by LBI based on the specific identification method.

Receivables from and payables to affiliates reflect transactions wherein LBSF and LBH receive or pay deposits on behalf of LBFP when additional funding is needed to collateralize derivative transactions with counterparties. Interest on these balances is recognized on an accrual basis and is included in interest revenue and expense. LBFP recorded $56 thousand and $42 thousand of interest revenue and $341 thousand and $326 thousand of interest expense relating to these intercompany transactions for the years ended November 30, 2007 and 2006, respectively.

The Company is required to eliminate any derivative exposure to LBSF as well as ensure sufficient collateral is available to meet customer obligations in order to maintain its AAA/Aaa ratings. As a result, LBFP performs a daily collateral formula computation and receives U.S. government securities pledged by LBSF in the event of a collateral deficiency. At November 30, 2007, LBSF did not have any securities pledged to LBFP.

Amounts arising through related party transactions and those allocated expenses referred to above are reasonable and approximate the amounts that would have been recorded if the Company operated as an unaffiliated entity.

Board of Directors (as of 11/30/07)

Independent Directors

Charles M. Jones
Professor, Finance and Economics
Columbia Business School

Arnold F. Staloff
Chairman
Arnold Staloff, LLC

Other Directors

Theodore Roosevelt IV, Chairman
Investment Banking Division
Managing Director, Lehman Brothers Inc

Murtaza Bhalloo
Interest Rate Products
Vice President, Lehman Brothers Inc.

Ping Feng
Interest Rate Products
Managing Director, Lehman Brothers Inc.

Jeff Michaels
Interest Rate Products
Managing Director, Lehman Brothers Inc.

Daniel Rothman
Investment Banking Division
Managing Director, Lehman Brothers Inc.

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